

AMENDED IN SENATE JUNE 16, 2009

SENATE BILL

No. 107

Introduced by Senator Walters

January 27, 2009

An act to ~~add Section 6363.4 to~~ *add and repeal Section 6363.4 of* the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 107, as amended, Walters. Sales and use taxes: exemption: nonprofit organization: mandatory gratuities.

The Sales and Use Tax Law imposes a tax on *retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state of, or on the storage, use, or other consumption in this state of; tangible personal property purchased from a retailer for storage, use, or other consumption in this state.* That law provides various exemptions from ~~that tax~~ *those taxes*.

This bill would, *until January 1, 2014*, exempt from sales and use ~~tax taxes~~, the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, a mandatory gratuity, tip, or service charge that is charged to a nonprofit organization, as defined, by a hotel, caterer, restaurant, or similar establishment for a meal, food, or beverages.

~~Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are incorporated into the local taxes.~~

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity

with the Sales and Use Tax Law, and the Transactions and Use Tax Law authorizes districts, as specified, to impose transactions and use taxes in conformity with the Sales and Use Tax Law. Exemptions from state sales and use taxes are incorporated into these laws.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 6363.4 is added to the Revenue and
2 Taxation Code, to read:

3 6363.4. (a) There are exempted from the taxes imposed by
4 this part, the gross receipts from the sale in this state of, and the
5 storage, use, or other consumption in this state of, a mandatory
6 gratuity, tip, or service charge that is charged by a hotel, caterer,
7 restaurant, or similar establishment, for a meal, food, or beverages
8 purchased by a nonprofit organization.

9 (b) For purposes of this section, “nonprofit organization” means
10 an organization exempt from ~~taxation under federal income~~
11 *taxation as an organization described in* Section 501(c)(3) or
12 Section 501(c)(4) of the Internal Revenue Code.

13 (c) *This section shall remain in effect only until January 1, 2014,*
14 *and as of that date is repealed.*

15 SEC. 2. Notwithstanding Section 2230 of the Revenue and
16 Taxation Code, no appropriation is made by this act and the state
17 shall not reimburse any local agency for any sales and use tax
18 revenues lost by it under this act.

19 SEC. 3. This act provides for a tax levy within the meaning of
20 Article IV of the Constitution and shall go into immediate effect.
21 However, the provisions of this act shall become operative on the

- 1 first day of the first calendar quarter commencing more than 90
- 2 days after the effective date of this act.

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